

## SBT CREDIT FOR HISTORIC RESOURCE

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**House Bill 4556**

**Sponsor: Rep. David Palsrok**

**Committee: Commerce**

**Complete to 5-2-05**

## A SUMMARY OF HOUSE BILL 4556 AS INTRODUCED 3-24-05

The bill would amend the Single Business Tax Act to allow a "qualified taxpayer" (i.e., a nonprofit charitable organization) to claim a credit against the SBT in an amount up to 50 percent of the total cost of renovating a "historic resource." The credit would be refundable; that is, the amount that exceeded taxpayer liability would be refunded to the taxpayer (including in cases where the taxpayer had no liability).

A "qualified taxpayer" would be defined in the bill as a taxpayer exempt from taxation under Section 501 (c) (3) of the federal Internal Revenue Code.

The credits would require approval from the Department of History, Arts, and Libraries. HAL could approve up to ten credits per calendar year, with one credit available of more than \$1 million but less than \$3 million. The other credits would have a \$1 million limit. No more than three credits could be issued in the same municipality. (The bill would define a municipality as a township, village, city, or county).

In its application, a qualified taxpayer would have to provide written commitments or agreements demonstrating that it has acquired and dedicated to the renovation an amount equal to at least 50 percent of the total costs of the renovation from sources separate from the funds available to the qualified taxpayer from the credit.

Historic Resource Defined. A "historic resource" would be defined as a publicly or privately owned historic building, site, object, feature, or open space that was 1) located within a historic district designated by the National Register of Historic Places, by the State Register of Historic Sites, or by a local unit of government under the Local Historic Districts Act or 2) individually listed on the State Register of Historic Sites or National Register of Historic Places. Additionally, the resource would have to include all of the following:

- An owner-occupied personal residence or a historic resource within the boundaries of a personal residence;
- an income-producing commercial, industrial, or residential resource or a historic resource within the boundaries of that resource;'
- A resource owned by a governmental body, nonprofit organization, or tax-exempt entity use primarily by a taxpayer lessee in a trade or business unrelated to that of the owner and who is subject to the SBT; and

- a resource occupied or used by a governmental body, nonprofit, or tax-exempt entity under a long-term lease or lease-with-option-to-buy agreement.

Certification Process. Qualified taxpayers would have to apply to HAL for approval of the tax credit. HAL would have to approve or deny the application within 65 days (or the application would be automatically approved). Prior to approval, HAL would have to certify that the historical significance, the renovation plan, and the completed renovation met certain criteria.

Certification Criteria. To receive certification, an applicant would have to demonstrate that the historic resource either 1) contributed to the significance of the historic district in which it was located; met federal standards for the rehabilitation of historic buildings; and had all its renovation work done to or within the walls, boundaries, or structures of the resource; or 2) had received certification from the National Park Service that the resource qualifies for the similar federal tax credit.

Costs of renovating the historic resource could be used to calculate the credit if the resource met certain criteria. The resource would have to meet one of the criteria from each of the following lists during the tax year in which a credit was claimed:

- was individually listed on the National Register of Historic Places or State Register of Historic Sites; was a contributing resource within a historic district listed on the National Register of Historic Places or State Register of Historic Sites; or was a contributing resource in a historic district designated by a local unit of government under the Local Historic Districts Act.
- was located in a designated historic district in a local unit of government with an existing ordinance under the Local Historic Districts Act; was located in an incorporated local unit without such an ordinance with a population under 5,000; or was located in an unincorporated local unit of government.

Approval Letter. If HAL approved the renovation of the historic resource, the department would issue an approval letter to the qualified taxpayer. The letter would have to state the maximum credit allowed for that resource; the maximum percentage total cost of the renovation the taxpayer could use in calculating the credit, as determined by the Michigan Economic Development Corporation (MEDC); and an MEDC identification number.

Claiming the Credit. The qualified taxpayer would attach all of the following to the annual return: certification of completed renovation; certification of historic significance and costs use to calculate the credit; and a financial statement indicating total costs of renovation and the source of all funds.

MCL 208.35c

**FISCAL IMPACT:**

A maximum of \$12 million in SBT credits could be awarded each year. The revenue loss would affect the state's General Fund.

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